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SIPDIS

SENSITIVE

NEA FOR BURNS, SATTERFIELD, AND HALE

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SUBJECT: ITALIAN CONFERENCE ON PALESTINIAN REFORMS AND ECONOMIC RECONSTRUCTION

REF: ROME 1960

1. (SBU) Summary: The MFA organized a conference on "The Palestinian Future: Reforms and Economic Reconstruction" in Rome May 28-29. As the MFA told us and the Embassy of Israel prior to the conference, this was not a political conference about roadmap implementation but was intended largely for Italian public opinion and as a preparation for Italy's presidency of the EU (reftel). Key speakers included FM Frattini, Italian Minister for Productive Activities Antonio Marzano, Palestinian Minister of the Economy Maher Al-Masri, EU Special Envoy for the Middle East Miguel Angel Moratinos, UN Special Envoy for the Middle East Terje Roed Larsen, and Russian Special Envoy for the Middle East Andrej Vdovin. David Hale, Office Director for NEA/IAI, represented the USG on behalf of NEA A/S Burns. All speakers agreed on the importance of seizing the current momentum to implement the roadmap and end the cycle of violence and on the need to improve the economic conditions of Palestinians. End summary.

2. (SBU) May 28 focused on the reform of the Palestinian National Authority within the roadmap. FM Frattini underlined that institutional reform and economic reconstruction are closely linked and that institutional reform in Palestine is a prerequisite for a free market-oriented economy. Moratinos said that the roadmap is more promising than previous peace initiatives because it clearly outlined the end goal (a Palestinian state) and called for an international monitoring mechanism. Vdovin praised the President's personal commitment to the MEPP, the Quartet as a mechanism that enables cooperation and not competition among the US, EU, UN, and Russia, the new Palestinian government headed by Abu Mazen, and Israel's acceptance of the roadmap. Hale underlined the depth of the President's commitment to do all he could to move forward implementation of the roadmap and to help the parties fulfill the two-state vision. He calls on the parties to do their parts: the Palestinians to end violence and terrorism, the Israelis to ease the humanitarian crisis in the West Bank and Gaza, and the Arab partners to end all ties to terrorism and prepare their publics to accept the state of Israel and the two state solution.

3. (SBU) May 29 focused on the reconstruction of the Palestinian economy. Al-Masri described the state of the Palestinian economy (60% poverty rate, 45% unemployment, and a 60% drop in the GDP in the past 2 years). He mentioned consolidating all revenues, focusing expenditures only on PA related activities, and submitting quarterly financial statements to the legislative council as important reform steps conducted by his ministry. He said that the private sector was the backbone of the Palestinian economy, and that the Palestinians needed the Israeli market to sell their goods given that their domestic market was too small. He emphasized the importance of attracting international investment to the territories but was realistic by saying that this would not happen until there is security in the area. Larsen echoed what Al-Masri said by stating that, despite being optimistic about the holistic approach of the roadmap, he did not consider the current environment in the Middle East conducive to economic development.

BERLUSCONI'S "MARSHALL PLAN"

4. (SBU) The Palestinian Representative in Italy, Nemer Hamad, criticized the Italian government for its inaction on Berlusconi's idea of a Marshall Plan type of aid package to help the Palestinian economy. Ambassador Badini, the MFA's DG for the Middle East, responded by saying that the idea of a "Marshall Plan" for the Palestinian economy was not dead but that it had no EU consensus. He reminded that the Marshall Plan to Europe was done after WWII ended because an economic intervention of that scale was not possible before there was peace. Marzano said that Italy could transfer some of its best practices to the Palestinians in a way that would best fit their economy, mostly in the fields of water management and small/medium size enterprises, where Italy had a large expertise. Ilan Baruch, the Israeli MFA's Deputy

Director General for Economic Affairs, said that, security situation permitting, Israel was open-minded about reviving multilaterals and industrial zones and readmitting Palestinian workers in Israel to help revive the Palestinian

economy.

15. (SBU) Comment: While not breaking any new ground, this conference was a useful reminder for Italian public opinion of the importance the GOI places on solving conflicts in the region and that the MEPP will be one of Italy's top priority during its fast-approaching EU presidency. The Israeli Ambassador in Rome, who originally had serious reservations about this conference (reftel), actually attended parts of it. The Italian government and Embassy Rome both greatly appreciated the participation of David Hale in the conference. End comment.

16. (U) This cable was cleared by NEA/IAI Director David Hale.
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